

FLUID MINERALS BOND PROCESSING USER GUIDE

KeywordsXV. Termination of Period of Liability in PartA. General

Statewide/nationwide bonds contain a provision, in the "Bond Conditions" on the reverse side of Form 3000-4 (see Illustration 1), that allows a surety to reduce its future liability by notification to the BLM that it is terminating additional coverage under the statewide or nationwide bond with regard to any **new** lease interests acquired by the principal more than 30 days following receipt by the BLM of such a notice of election. This termination of future liability by the surety does **not** extend to operational activities on a lease covered by the bond, including drilling over the primary term of a lease, when such activity was included under the bond coverage prior to the surety election to terminate future additional coverage.

SURETY ELECTION
TO TERMINATE
FUTURE
LIABILITY FOR
NEW LEASE
INTERESTS ON
STATEWIDE/
NATIONWIDE
BONDS ONLY

NOTE: Some surety companies are interpreting this election clause of the bond conditions to mean that they can cease bond coverage for a lease that is extended by drilling over the lease expiration date or for additional drilling on a lease which contains a producing well. This interpretation is **not** correct.

It also is important to note that an individual lease bond is **not** included under this election provision to terminate future liability.

TERMINATION OF
FUTURE LIABILITY
NOT APPLICABLE
TO INDIVIDUAL
LEASE BONDS

Termination of future liability of a statewide/nationwide bond does not mean that use of the bond is not allowed. What is important is whether the bonded party's interest in the lease was acquired or established prior to the election by the surety to have the coverage become inapplicable. The bond coverage is **still applicable** to those leases held or operated by the principal and to lease operations authorized under the bond that were **filed prior to the election**. In addition, coverage under the bond continues for any lease covered by the bond when the lease is extended past its primary term prior to the election by the surety to terminate future liability, despite the expiration date of the term set forth in the lease.

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Keywords

A surety election to terminate future liability must be handled expeditiously to avoid the Field Office Fluid Mineral Operations personnel from authorizing operations on a lease to which the bond is not applicable due to the election made by the surety.

SURETY ELECTION
HANDLED
EXPEDITIOUSLY

Whenever notification is received from a surety that it intends to terminate the additional coverage on leases that are extended beyond the primary term by drilling and/or production, and the leases are covered under the bond prior to the effective date of the surety election to terminate future liability, promptly notify the surety advising that it cannot elect to make additional coverage inapplicable for lease extensions or drilling operations under the provisions of the bond form. Indicate to the surety that the BLM's position was clarified by a Federal Register notice that was published on June 15, 1987 (52 FR 22646). It is important to also notify the principal with a copy of the surety's correspondence and the BLM's response.

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B. Processing of Bonds Terminated in Part

Responsible Official	Step	Action	Keywords
Receiving Official	1.	Receive notice of election to terminate future liability from surety. Date/time stamp and forward to Adjudication.	SURETY ELECTION RECEIVED
Adjudication	2.	Review notice of election for specific language whereby surety elects to terminate additional future coverage under the bond. A notice of the surety's cancellation indicates a desire to terminate the period of liability of the bond in full.	NOTICE OF SURETY ELECTION TO TERMINATE ADDITIONAL FUTURE BOND COVERAGE
		Request reports from Field Office Operations and the SMA regarding possible bond termination, consistent with Section XVII, below. Unless clearly not the election allowed by conditions of the bond (see Section XV.A, above), issue a decision acknowledging the election to terminate additional future liability under the bond effective 30 calendar days from the date of receipt of the request by the proper BLM office (see Illustration 61).	FIELD REPORTS IN RESPONSE TO SURETY ELECTION TO TERMINATE ADDITIONAL FUTURE LIABILITY UNDER THE BOND
ABSS Entry	4.	Enter into the ABSS.	AUTOMATED NOTATION
	4a.	Enter Action Date: Date surety notice is received electing to terminate additional bond coverage in part; DE 2960 Action Code 474 Action Remarks: Enter effective date (MM/DD/YYYY), i.e., 30 calendar days after receipt in the proper BLM office of the surety's request.	
Adjudication	5.	After decision is signed, distribute copies to the surety and principal. Route for ABSS Entry.	

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Responsible Official	Step	Action	Keywords
ABSS Entry	6.	Enter in the ABSS:	AUTOMATED NOTATION
	6a.	Enter Action Date: Date of decision acknowledging termination of future liability under bond in part; DE 2960 Action Code 475; or	
	6b	Enter Action Date: Date of decision denying bond termination request; DE 2960 Action Code 476; Action Remarks: Effective date (MM/DD/YYYY); Reason termination in part is denied (or place in General Remarks).	